The Workers' Compensation Board - Alberta

SEVENTIETH ANNUAL REPORT

Nineteen Hundred and Eighty - Seven

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The Workers' Compensation Board Alberta

KENNETH C. PALS
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PETER KOLBA
BOARD MEMBER

MORRIS E. BAHRY
BOARD MEMBER

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The Lieutenant Governor in Council,
Province of Alberta,
Edmonton, Alberta

Your Honour,

In accordance with Section 87, subsection (2) of the Workers' Compensation Act, the Workers' Compensation Board is pleased to present its annual report for the year ended December 31, 1987.

Kenneth C. Pals
Chairman and Chief Executive Officer

Peter Kolba
Board Member

Morris E. Bahry
Board Member

The Board

Kenneth C. Pals – Chairman

Mr. Pals was appointed Chairman and Chief Executive Officer January 18, 1984. He has a background of financial and administrative experience from the banking and petroleum industries. Prior to his appointment, he served in managerial and executive positions with the Bank of Montreal, Pacific Petroleums Ltd. and Petro Canada. He is a graduate of the Banff School of Advanced Management.

Peter Kolba – Member

Appointed to the Board in 1974, Mr. Kolba brings to his position a deep understanding of the problems of disabled workers. Prior to his appointment, he served as secretary-treasurer of the Alberta Federation of Labour. He was also the full-time Alberta representative of the United Food and Commercial Workers Union, formerly the Canadian Food and Allied Workers Union.

Note: Mr. Kolba retired April 30, 1988.

Morris E. Bahry – Member

Mr. Bahry was appointed to the Board effective March 2, 1982. Prior to his appointment, he held a variety of management positions in marketing and customer service industries. He has owned several businesses in Alberta and British Columbia. Mr. Bahry has extensive senior level involvement in community service organizations.

Note: Mr. Bahry was appointed Vice-Chairman May 1, 1988.

Summary of Activities – 1987

Number of Claims Reported	58,637
Re-Opened Claims	8,018
Non-Compensable Claims (rejected)	7,500
Number of Disability Awards	2,456
Fatalities Accepted	101
Claim Costs (in millions)	$294.4
Number of Claim Appeals	1,878
Number of Registered Employers	57,605
Number of Industry Accounts	62,344
Assessment Revenue (in millions)	$282.0
Average Assessment Rate (in dollars)	$1.54
Unfunded Liability (in millions)	$360.7

The Workers' Compensation Board central office Edmonton, Alberta.

REPORT OF THE BOARD

In 1987, the Workers' Compensation Board's main objective was to maintain the basic principles of workers' compensation by providing qualified claimants with proper benefit entitlement.

The WCB continued to make every effort to ensure claimants received their proper entitlements. The number of claims dropped marginally by 1.0%, and claim costs decreased by 6.9%. The reduction in claim costs was offset by the decision to forego rate increases for yet another year. At $1.54 per hundred dollars of payroll, Alberta's average assessment rate was the third lowest in Canada. As a result, the operating deficit for 1987 was $71.0 million. The unfunded liability was $360.7 million. At the end of 1987 the WCB Alberta was 78.9% funded.

The new experience rating program came into full operation in January 1987. Experience rating is designed to improve the equity and fairness in allocating the WCB's total revenue requirements among employers. During the year, it became apparent that the sensitivity of the program to even minor claim costs was affecting small employers adversely. The WCB reviewed this problem in consultation with employers and introduced graduated participation as a solution effective January 1, 1988.

The Directional Planning project, launched in 1986, continued during the year. The Directional Plan falls under a steering committee consisting of the Honourable Jim Dinning, Minister of Community and Occupational Health, and Mr. Kenneth C. Pals, Chairman of the WCB. By year end, the project was in the final editing stage. Mr. Dinning announced the highlights of the report and the proposed action in March 1988.

Dr. A. E. Hohol, Vice-Chairman, and Mr. R. H. Jamha, Board Member and former Chairman, retired March 31, 1987. The Government chose not to replace these individuals prior to having the recommendations from the Directional Plan. While the remaining Board Members have individually dealt with a higher number of appeals, requests for new appeals have increased and the amount of time required for an appeal to come before the Board has lengthened significantly.

The Board.

Administrative costs for 1987 were below budget and only marginally higher than 1986.

At the beginning of the year, the Assessment department moved to a nearby location to meet the need for additional space and relieve severe overcrowding in several departments. This proved to be successful, and other previously cramped sections were able to use much of the vacated space by year end leaving a small reserve for future development.

The Board chose to adopt the early retirement program introduced by the Provincial Government. This had an impact on several WCB departments when some 26 employees took advantage of the plan. Fewer than half were replaced by year end in an effort to offset the costs of the program.

Despite continuing restraints, staff maintained and improved service levels, and carried out their duties with willingness and professionalism. The Board wishes to acknowledge the efficient manner in which staff handled the organization's functions and assisted the Board in carrying out its mandate.

CLAIMS SERVICES

The Claims, Vocational Rehabilitation, and Medical departments, together with the Rehabilitation Centre, make up the Claims Services section of the WCB. During 1987, these departments ensured that claims were adjudicated within the mandate of the WCB and claimants received their proper benefit entitlements promptly and without bias.

Don Palmer
Acting Executive Director
Claims Services

Claims

New claims decreased marginally during 1987 and the accumulated average days per claim dropped to 35.5 from 39.0 in 1986; however, re-opened claims increased over 1986 levels by 5%.

The Claims department emphasized quality of adjudication and timely service by efficient gathering of pertinent facts and accurately defining entitlement due. Staff training and using existing systems more efficiently to improve benefit processing was also a high priority.

The Claims Investigation Unit developed more effective methods and conducted investigations more promptly. This resulted in improved response time in dealing with contentious claims.

As in past years, communication was an integral part of the Claims department's functions. Claims counsellors met with employer and worker groups, carried out hospital visits and participated in speaking engagements.

During the year, the department developed a "team concept" to handle incoming calls in the Telephone Answering Services. Response time improved with over 346,000 inquiries handled compared with 290,000 in the previous year.

Medical

The level of activity in the Medical department increased compared with 1986. The average number of claim files active on any given day in the department was over 1,500, compared with 1,000 in 1986. The Medical Advisory division carried out over 2,500 medical assessments in 1987. In addition, the Independent Examiner Group, composed of independent consultants, received 3,500 claim files for assessment and opinions.

To ensure the Medical department kept in touch with the most recent developments in the medical and surgical fields, WCB physicians attended courses and seminars on toxicology, back pain, head injury and occupational health issues.

The department also published papers on important issues concerning workers' health. Topics included: Degenerative Spinal Disease and Compensation; Adverse Health Effects from Cadmium; the Workers' Compensation System and the Relationship Between Workers' Compensation and the Various Health Professionals in the Future.

During 1987, the Medical department participated in conferences for physicians, safety personnel and employers. Department personnel continued to meet with various physicians' groups in the community.

Claims Information Clerks kept track of over 300,000 calls in 1987.

Rehabilitation Centre

1987 saw greater emphasis on improving the standard of care at the Rehabilitation Centre. During the year, 1,550 patients, 13% more than in 1986, completed treatment programs which included medical, physical therapy, occupational therapy, psychology and work evaluation. This increase was due to improved service delivery which decreased the average length of stay per patient by 9%. The waiting list dropped from eight weeks at the beginning of the year to two weeks by year end.

Throughout the year the Centre used external community resources whenever practical and has expanded these contacts.

The Centre strengthened its links with employers and workers through the Back Care Education Program, putting on 90 seminars across the province with over 2,000 participants.

Student and Intern placements continued in Physical Therapy, Occupational Therapy, and Psychology.

Wendy Antoniuk, Physical Therapist, is shown fitting a Transcutaneous Electrical Nerve Stimulation (TENS) unit.

Where appropriate, workers are offered academic upgrading by the Vocational Rehabilitation department.

Vocational Rehabilitation

Successfully returning injured workers to meaningful employment continued to be the major goal of the Vocational Rehabilitation department in 1987. The department's services included work assessment, training-on-the-job, and academic programs. During the year, over 1,800 workers benefited from these programs. Rehabilitation counsellors equalled their achievements of 1986 in obtaining job placements. The department expanded the marketing strategy for its employment program – The Working Solution – to additionally help counsellors make employment contacts and find new job opportunities.

The Vocational Rehabilitation department also established a job preparation program to help workers effectively locate appropriate job opportunities and better present themselves in job interviews. Another program initiated in 1987 was the Job Finding Club. This was an extension of the job preparation program including three weeks of instruction and dynamic group interaction and support with employment as the objective. Job ready participants were offered this program and by year end results were encouraging.

The WCB wishes to take this opportunity to thank those employers who supported the return-to-work program.

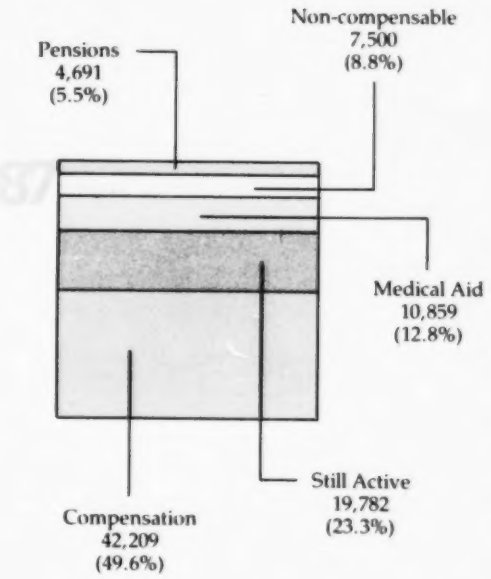
Summary of Claims Administered

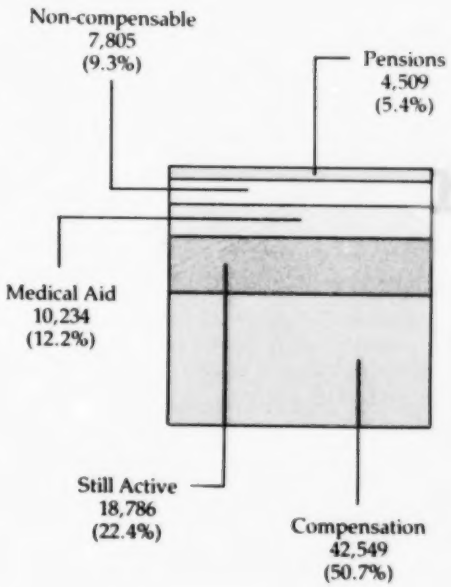
	1987	1986
Claims under Active Administration as of January 1st	**18,786**	17,330
New Claims (all types) Reported during the Year[1]	**58,637**	58,903
Previously Closed Claims Reopened during the Year	**8,018**	7,650
TOTAL CLAIMS ADMINISTERED	**85,441**	83,883
Claims in which a Pension Award or Final Payment of Compensation was made	**47,300**	47,058
Claims in which Medical Aid only was Payable	**10,859**	10,234
Claims in which neither Compensation nor Medical Aid was Payable[2]	**7,500**	7,805
SUB-TOTAL OF CLAIMS ADMINISTERED	**65,659**	65,097
Claims under Active Administration as of December 31st	**19,782**	18,786
TOTAL CLAIMS ADMINISTERED	**85,441**	83,883

[1]Note: New claims of all types include Pensions, Lost Time Claims, Medical Aid Claims, and claims in which a judgement is pending. Non-compensable claims are also included in this category.

[2]Refers to a claim for compensation which was not covered under the Act, not established, or the accident was deemed not in the course of employment.

Volume and Type of Claims Administered in 1986 and 1987





Cross-Referenced Breakdown for 1987

Status at Year End	Claims under Active Administration as of January 1st	New Claims Reported in 1987	Re-opened Claims in 1987	Totals
Pensions Awarded	2,226	56	2,409	4,691
Compensation Paid	7,591	31,426	3,592	42,609
Medical Aid Only Paid	1,372	8,791	696	10,859
Non-compensable	1,384	6,078	38	7,500
Still Active	6,213	12,286	1,283	19,782
TOTALS	18,786	58,637	8,018	85,441

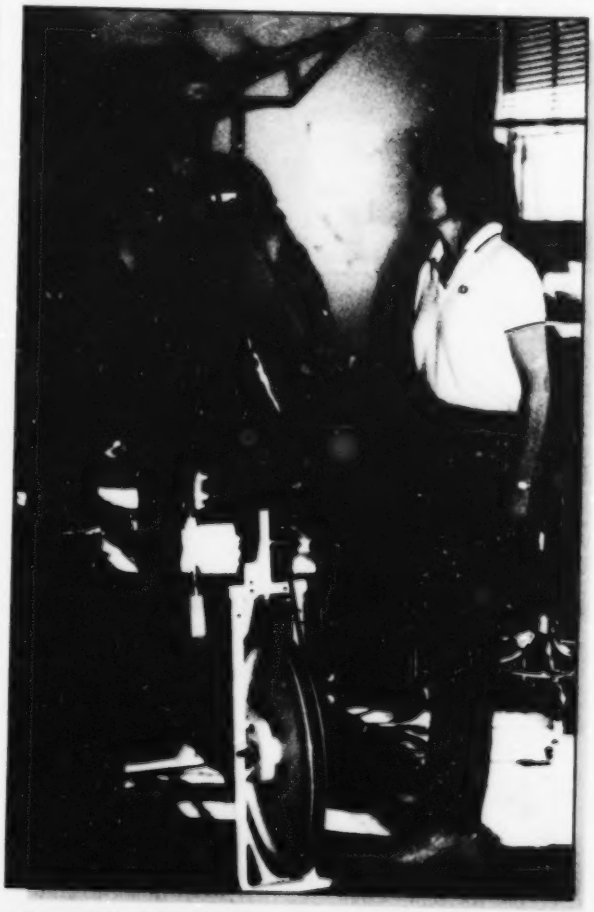
Permanent Disability Awards Approved in 1987 by Part of Body Affected[1]

	1987	1986
Back	**718**	730
Thumb or Finger	**524**	599
Leg	**279**	251
Arm	**239**	228
Ear[2]	**148**	167
Foot	**145**	142
Hand	**122**	113
Multiple Body Parts	**71**	73
Eye[3]	**44**	44
Head or Face	**41**	47
Pelvis or Hip	**33**	34
Toe	**30**	38
Pulmonary System	**24**	40
Heart	**15**	19
Miscellaneous	**23**	22
Totals	**2,456**	2,547

[1]Note: These data do not sum to the totals in the Cross-Referenced Breakdown (Pensions) due to different selection criteria. Figures represent carried over pensions from prior years. The Cross-Referenced Breakdown table refers to administered as opposed to approved pensions.

[2]Ear refers to loss of hearing.

[3]Eye refers to loss of vision.



Therapy at the Rehabilitation Centre includes physical conditioning.

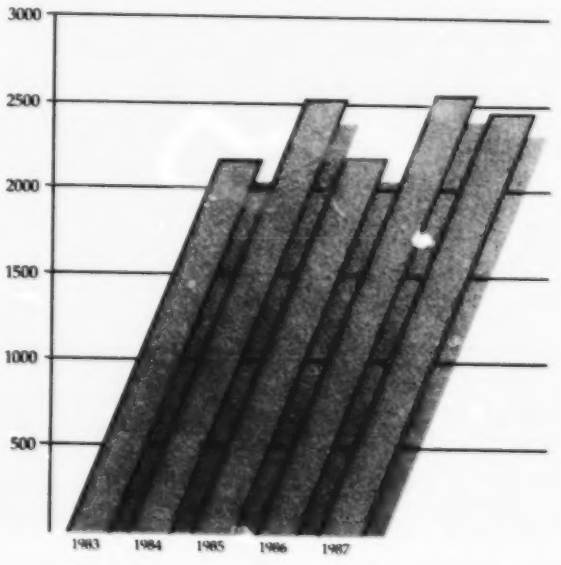
Fatalities Accepted in 1987 by Type of Accident

Type of Accident	Accident Reported in 1987	Accident Reported Prior to 1987	Total
Highway, MVA[1]	15	2	17
Tornado	11	0	11
Highway, SVA[2]	9	2	11
Highway, Other	3	0	3
Mobile Equipment	4	1	5
Stationary Equipment	2	1	3
Load/Materials	2	0	2
Cave-in	1	0	1
Falling Object	5	3	8
Flying Object	1	0	1
Fall from Elevation	4	2	6
Aircraft	0	0	0
Fire/Explosion	2	3	5
Asphyxia/Drowning	3	0	3
Electrocution	0	0	0
Silicosis	0	1	1
Heart Attack	2	4	6
Other Respiratory	0	6	6
Asbestosis[3]	0	5	5
Lung Cancer	1	1	2
Miscellaneous	0	5	5
Totals	65	36	101[4]

1. MVA: Multiple Motor Vehicle Accident.
2. SVA: Single Motor Vehicle Accident.
3. Each asbestosis fatality occurred in a separate industry. No trend is indicated.
4. Thirteen (13) fatalities fell under the jurisdiction of the Federal Government of Canada.

Medical staff at the Rehabilitation Centre conduct physical examinations as part of an injured worker's total evaluation.

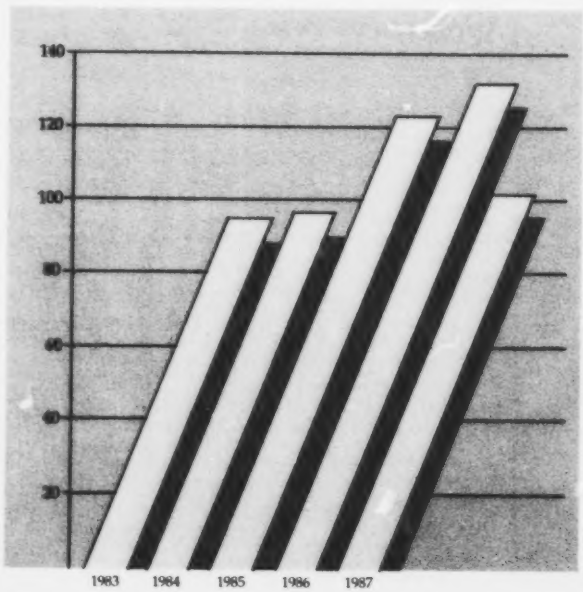
Total Number of Disability Awards Approved by Year



Number of New Claims Reported by Part of Body in 1987[1]

	1987	1986
Back	13,772	13,907
Fingers	6,617	6,522
Toes, Feet or Ankles	5,557	5,861
Chests, Hips or Shoulders	5,198	5,358
Multiple Injuries	4,945	4,900
Hands or Wrists	3,981	3,981
Arms	3,539	3,406
Head or Neck	3,276	3,119
Non-Personal Damage	3,217	3,208
Knees	3,059	3,073
Eyes	2,566	2,664
Legs	2,020	2,011
Body Systems	815	812
Miscellaneous	75	81
Totals	58,637	58,903

Total Number of Fatal Claims Accepted by Year



Number of New Claims Reported by Nature of Injury in 1987[1]

	1987	1986
Strain or Sprain	24,324	24,618
Bruise	7,759	8,066
Cut or Laceration	6,931	7,080
Multiple Injuries	5,886	5,469
Fracture or Dislocation	3,471	3,758
Non-Personal Damage	3,217	3,208
Bursitis or Synovitis	2,027	1,906
Burn or Scald	1,876	1,928
Other Industrial Injury	1,121	701
Dermatitis or Systemic Poisoning	613	609
Other Industrial Disease	524	446
Arc or Welding Flash Burn	230	253
Temperature Effects	17	56
Amputation	16	31
Radiation Effects	7	4
Miscellaneous	618	770
Totals	58,637	58,903

[1]Note: All types of claims are included in the table e.g., Lost Time, Pensions, Medical Aid, and claims in which a judgement is pending.

Occupational therapy plays a major role in rehabilitation.

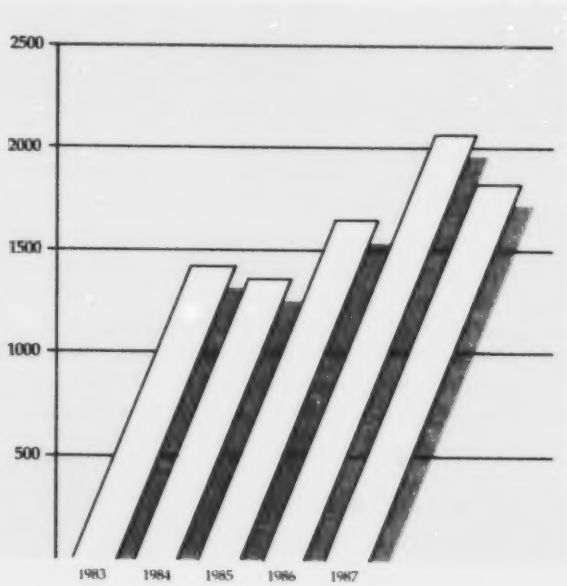
Summary of Compensation Days Paid for the Years 1983 - 1987[1]

Year of Accident	1987	1986	1985	1984	1983
Current Year	**822,123**	957,406	862,018	724,713	733,354
Previous Year	**573,181**	673,471	478,337	380,254	468,013
Prior Years	**421,814**	430,436	301,587	250,684	211,039
TOTALS	**1,817,118**	2,061,313	1,641,942	1,355,651	1,412,406

[1]Note: The total number of compensation days paid by the WCB are shown for each year. Using the figures of 1987 as an example: **Current year** indicates 822,123 days paid on behalf of claims filed in 1987. **Previous year** indicates 573,181 days paid in 1987 on behalf of claims carried over from 1986. **Prior years** indicates 421,814 days paid in 1987 on behalf of claims carried over from years prior to 1986.

Mary Naito, Vocational Rehabilitation Counsellor, visits with a worker participating in a Training-on-the-Job Program, a route some workers may take on the road back to employment.

Compensation Days Paid by Year (000's)



ADMINISTRATION

The Administration group comprises the Administrative Services, Information Systems, Legal, Media and Communications, Personnel, Research and Statistics departments, and the Regional Offices. This group of departments provides the facilities and services which support the various operations of the Workers' Compensation Board. During 1987, these departments carried out their functions within a framework of cost effectiveness and prompt service delivery.

T. Patrick Griffin
Executive Director
Administration

Legal

The Legal department recovered almost $6 million during 1987 through civil action taken against third parties who did not enjoy coverage under the Workers' Compensation Act. In co-operation with the WCB's Assessment department, the department also recovered more than $390,000 in assessments due by employers in cases where the priority of the WCB was in question.

In other legal actions, the WCB referred 12 possible fraud cases to the Alberta Attorney General, resulting in five convictions during the year.

Personnel

During the year the WCB made efforts to further enhance the abilities of our employees, through development and advancement. Many employees took advantage of seminars and courses offered to upgrade their skills.

Our external recruiting focused on acquiring candidates to keep pace with current technology and business practices. At the same time the WCB sought to ensure our employees are working in jobs for which they are most closely suited.

The Personnel department continued to offer employees a variety of programs geared to promote health and productivity . In addition, the organization made a successful transition to a non-smoking environment.

Communications and Public Education

Again in 1987, WCB staff took part in over 200 public speaking engagements, meetings and seminars, as communication with this organization's clients continued to be a major priority.

For the third successive year, the WCB-Alberta's Annual Report gained international recognition at the 1987 annual conference of the American Association of State Compensation Insurance Funds (AASCIF), held in Denver, Colorado. The 1986 annual report placed second in its category, while two other entries from the WCB-Alberta secured third place awards: The Working Solution Benefits Guide (Vocational Rehabilitation), and the Fitness Assessment Booklet (Rehabilitation Centre).

The department maintained contact with news media throughout the province, and WCB officials participated in several news interviews and programs to explain the activities of the organization to the public.

Media and Communications Services provides support to various departments. Dr. Conne Robertshaw, Supervisor, Physical Therapy, and Jim Meyer, Communications Officer, review a completed slide presentation.

Information Systems

During the year, the department placed emphasis on strategic planning to meet the WCB's growing needs.

The developments needed for the experience rating project were completed. Information Systems launched several projects during the year including enhanced claims file tracking and pension systems.

A computer mainframe capacity plan contributed to the WCB acquiring a medium-size mainframe to process the interactive system independent of the applications processed on the larger mainframe. This resulted in improved response times and provided additional capacity for the major applications development system. The department also installed additional terminal control units, terminals and microcomputers to support the major projects and growth.

SECRETARY OF THE BOARD

The Secretary of the Board is responsible for the functions of the Claims Services Review Committee, Assessment Review Committee, Internal Audit, Appeals Advisors, Executive Assistant to the Board, and Appeals Registrars.

1987 proved to be a year of challenge with dramatic increases in appeal activity to the Claims Services Review Committee and the Members of the Board.

John Hillary
Secretary
of the Board

Internal Audit

The addition of a qualified Systems Auditor to its staff enabled Internal Audit to become extensively involved in the audit of computerized financial systems. The experienced claims adjudicator audit position has developed to a point where the unit is capable of providing valuable observations and advice on operational matters. Attention continued to be given to compliance reviews and the unit has started to expand into operational audits.

Appeals Advisors

The Appeals Advisors provide free assistance to appellants wishing to pursue the avenues of appeal provided for in the legislation. The Appeals Advisors dealt with 5,597 inquiries and conducted 710 personal interviews during 1987. 126 cases were resolved without the need to pursue an appeal. The Appeals Advisors represented 269 claimants. 147 appeals were accepted and 122 denied. 104 appeals were outstanding at year end.

The Claims Services Review Committee

During the year, two additional committee members were appointed temporarily to the Claims Services Review Committee to assist with the increased volume. 1,878 appeals were received, in addition to 128 carried forward from 1986. In addition, 489 appeals were returned as premature. The Committee finalized 1,559 appeals, an increase of 81% from the prior year. 913 hearings were held and eight independent medical board examinations were convened to assist the Committee in its deliberations. Of the 1,559 appeals finalized, the Committee changed the disposition of 34% of the cases. 350 appeals were outstanding at year end.

The Assessment Review Committee

The Assessment Review Committee received 105 new appeals in addition to 12 carried forward from 1986. 79 appeals were on assessment matters and 26 were on re-assignment of claim costs under the provision of Section 89(2) of the Act. 80 appeals were finalized during the year with 47% of assessment appeals being altered and 81% of Section 89(2) applications accepted. 21 appeals were returned as premature. 16 appeals remained outstanding at year end. The Committee conducted 33 hearings during the year.

Appeals to the Board

The Members of the Board reviewed 365 claims and assessment files and 64 requests for other forms of assistance including pension advances and lump sum requests. Of the cases appealed, the Members of the Board altered the decision of 41% of the cases. The Members of the Board held a total of 133 meetings with workers and employers during the year.

CORPORATE PLANNING AND DEVELOPMENT

Corporate Planning and Development is responsible for the design and control of corporate management systems and the management of future related activities.

Ilan Hershman
Managing Director
Corporate Planning
and Development

Throughout 1987, Corporate Planning and Development devoted its entire energies towards the development of a Corporate Directional Plan. This plan included the identification and assessment of "existing realities", and the key initiatives that will move the organization from its present framework towards its "willed future". In essence, the Directional Plan and the methods used to develop it involved a review of the organization's total business activities.

To carry out this complex task, a Steering Committee consisting of the Honourable Jim Dinning, Minister of Community and Occupational Health, and Kenneth C. Pals, Chairman and Chief Executive Officer of the WCB, appointed a Directional Planning Team. This team, headed by Ilan Hershman, Managing Director, Corporate Planning and Development, included Ken Coull, Executive Director – Finance; Milt Webster, Director – Personnel; Bill McDonald, Acting Director – Claims; and Doug Clough, Executive Assistant to the Board.

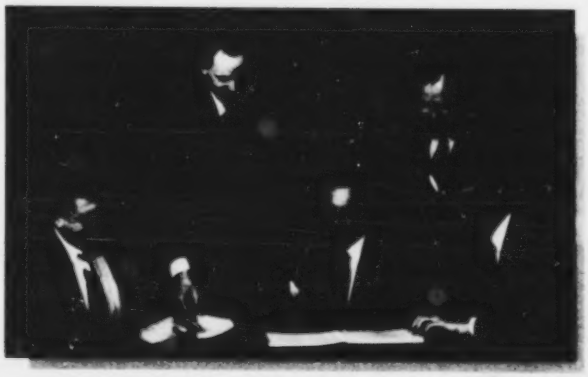
During the initial stages 50 staff were seconded to the project as Task Team Members. The Task Teams solicited internal and external input regarding the Board and its operations. Those participating in the process included employer associations, employers, unions, Government Ministers, Board Members and staff. Private insurance firms, actuarial consultants, other provincial jurisdictions and experts in the field of compensation were also canvassed for their opinions.

The interest and committment of Government to the planning process was demonstrated by an invitation to address the Economic Planning Committee of Cabinet. The Committee was impressed with the work accomplished and reinforced the continuation and implementation of the plan.

The initial phase of the Corporate Directional Planning Process is complete, and has resulted in the following:

- a widely accepted agreement on the need for change,
- a common agreement on areas requiring change, and
- a demonstrated desire and a willingness to change.

The Directional Plan will provide a "made in Alberta solution" to the administration of the Alberta Workers' Compensation Act. This will create an environment which will enable the WCB to function in an equitable and businesslike fashion for stakeholders and staff alike.



Members of the Planning Group were: (left to right) Milt Webster, Personnel; Doug Clough, Appeals; Ilan Hershman, Corporate Planning; Bill McDonald, Claims; and Ken Coull, Finance.

FINANCE

The Finance group comprises the Assessment, Financial Services and Actuarial Services departments. Collectively, this group is responsible for the registration, classification and assessment of employers as well as ensuring the Accident Fund is properly financed, administered and accounted for.

Kenneth W. Coull
Executive Director
Finance

Assessment

Despite a 1.5% increase in the number of registered employers to 57,605, assessment revenue from industry dropped almost 0.5% to $277.8 million during 1987. This reflects both the freeze imposed on 1987 assessment rates and the continuing movement of economic activity in Alberta from high-rated resource and construction sectors to lower-rated service sectors.

The new experience rating program came into operation for over 20,000 eligible employers effective January 1, 1987. Dialogue with employers and representatives of industry associations indicates employers support the concept of experience rating while desiring stability in their assessment rates. In the latter part of the year, the WCB made two modifications to the program geared to improve this stability. A one-year lag was introduced to the period used to measure an employer's experience. This permitted the WCB to advise employers of their discount or surcharge position in the fall of the preceding year. Graduated participation was introduced to experience rating effective January 1, 1988. This change dampens the impact of any rate changes on small employers while continuing to provide for a variation in assessment rates based on an individual employer's experience.

The department also instituted changes in work flows and procedures to improve staff productivity and maintain a high level of service to clients.

Financial Statements

The 1987 financial statements have been significantly altered from the previous presentation format in order both to improve their readability and to comply with changing industry standards. Although no change in the make-up or purpose of the various accounting entities has occurred, the previous use of "reserves" and "funds" has been replaced with "liabilities" to bring our practices more into accord with generally accepted accounting principles.

Much of the information previously provided in financial statements is now presented as Notes to the audited financial statements or in accompanying Schedules. Readers will also find a new Statement of Changes in Financial Position which provides information on operating and investing activities having an impact on the cash position of the WCB.

Investment Activities

Market interest rates continued to decline in 1987 with the result that investment income dropped some 2.3% to $126.4 million. An average rate of return of 10.69% on the book value of the investment portfolio reflects this easing in interest rates as well as the unexpected decline in equity market levels which occurred in October 1987.

The real rate-of-return achieved, 5.9%, continues to exceed the long-run liability valuation assumption of net 3.0% first adopted in 1986. This assumption implicitly expects investment income in excess of 3.0% will fully meet the emerging costs of future statutory adjustments to WCB benefit levels. No adjustment of benefit levels occurred during 1987.

Total book value of invested assets increased to $1,229.8 million. The market value of the investment portfolio continues to exceed book but has declined some 2.5% from 1986 year end due to the aforementioned market correction in late 1987.

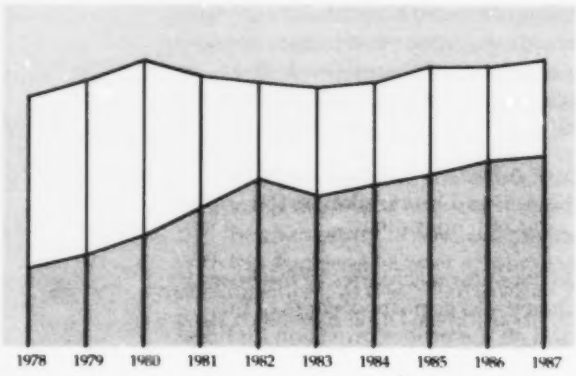
The Assessment department uses the latest technology with links to the mainframe computer to keep track of employer accounts.

Results of Operations and Review of Financial Position

A smaller than expected deficit of $29.9 million was recorded on 1987 operations as a result of assessment revenues remaining at about the same level as in 1986 and total claim costs being lower. This deficit result reflects the fact many 1987 rates of assessment continued to be well below required levels.

In addition, adjustments to prior years' operations added a further $41.1 million in losses during 1987 bringing the WCB's total unfunded liability to $360.7 million. Total assets increased to $1,352.3 million and total estimated liabilities to $1,713.0 million leaving the WCB in a 78.9% funded position at year end 1987.

Unless there is a further unexpected reduction in claim benefit costs during 1988, the WCB's funded position will continue to deteriorate until assessment rates are increased to their required levels. However, with the increases already announced for 1988 industry rates, the growth in the unfunded liability is expected to be significantly slower than in recent years.



Employers Registered, Industry Accounts and Assessable Payroll

Year	Number of Employers Registered	Number of Industry Accounts	Assessable Payroll (000's)
1978	50,716	54,050	7,527,979
1979	53,578	57,148	8,822,631
1980	57,646	61,470	10,394,183
1981	55,006	59,076	13,034,082
1982	53,891	58,201	15,832,600
1983	53,370	57,743	15,194,084
1984	54,145	58,860	15,380,360
1985	56,567	61,342	16,246,732
1986	56,741	61,370	17,731,027
1987	57,605	62,344	18,000,000

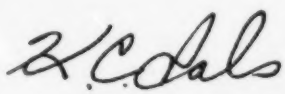
Management's Responsibility for Financial Reporting

The accompanying financial statements, and other financial information in this annual report, are the responsibility of management and have been approved by the Members of the Board. The financial statements have been prepared in accordance with generally accepted accounting principles, except as specifically described in Note 2 to the financial statements, and of necessity include estimates and approximations which reflect the best judgement of management.

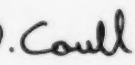
In discharging its responsibility for the reliability and fairness of the financial statements, management maintains appropriate financial and control systems. Practices have been designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The Board ensures these responsibilities are fulfilled by meeting periodically with management and by reviewing reports of the internal and external auditors.

The Auditor General of the Province of Alberta is the Auditor of the Board, in accordance with Section 87(1) of the Act, and his opinion on the financial statements for the year ended December 31, 1987 follows.

TPF&C Limited have been appointed consulting actuaries to the Board for year-end 1987. Their opinion on the adequacy and appropriateness of the valuation of the Board's actuarial liabilities and on the proper provision for these costs is presented following the opinion of the Auditor General.



K. C. Pals
Chairman and Chief Executive Officer



K. W. Coull
Executive Director, Finance

Alberta Legislature

Office of the Auditor General

Auditor's Report

To the Members of The Workers' Compensation Board

I have examined the balance sheet of The Workers' Compensation Board as at December 31, 1987 and the statements of operations and fund balance and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon
C.A.
Auditor General

Edmonton, Alberta
April 29, 1988

3700, 150 – 6 Avenue S.W.
Calgary, Alberta T2P 3Y7
403 261-1400

TPF&C

a Towers Perrin company

Actuarial Opinion

To the Members of The Workers' Compensation Board – Alberta:

After consultation with me, the Actuarial Services department of The Workers' Compensation Board has made a valuation of the liabilities for Unfinalled Claims, Pensions, and Enhanced Disabilities of the Board at December 31, 1987. This valuation was based on the provisions of the Workers' Compensation Act in effect at December 31, 1987.

In my opinion,

1. the valuation conforms to the Recommendations of the Canadian Institute of Actuaries;
2. the amounts of the liabilities for Unfinalled Claims ($604,000,000), Pensions ($710,600,000) and Enhanced Disabilities ($388,000,000) make proper provision for expected future payments for which the Accident Fund is financially responsible under the Workers' Compensation Act; and
3. proper provisions on account of the liabilities for Unfinalled Claims ($111,500,000) and Enhanced Disabilities ($75,400,000) have been made in the Statement of Operations and Fund Balance in respect of claims incurred during 1987.

TPF&C LIMITED

Mark W. Campbell, F.S.A., F.C.I.A.

Calgary, Alberta
April 29, 1988

Balance Sheet

AS AT DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Cash	**$ 61,014**	$ 28,897
Assessments and other receivables (Note 3)	**27,371**	27,400
Accrued interest	**22,131**	22,803
Investments (Schedule 1)	**1,229,843**	1,181,123
Deferred charges (Note 4)	**—**	2,039
Fixed assets (Note 5)	**11,979**	12,481
	$ 1,352,338	$ 1,274,743
LIABILITIES AND FUND BALANCE		
Accounts payable	**$ 2,697**	$ 1,814
Deferred revenue (Note 4)	**7,148**	1,898
Employers' deposit accounts	**380**	480
Staff benefit trust	**183**	134
Liability for claims (Note 6)	**1,702,600**	1,560,100
Fund balance (deficit)	**(360,670)**	(289,683)
	$ 1,352,338	$ 1,274,743

The accompanying notes are part of these financial statements.

Statement of Operations and Fund Balance

FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	Operating Activities For			
	1987	Prior Years	**1987 Total**	1986 Total
REVENUE				
Assessments				
Industry	$ 277,800	$ (5,493)	**$ 272,307**	$ 291,200
Self-Insurers	1,469	8,202	**9,671**	11,277
Investment income	—	126,389	**126,389**	129,428
Province of Alberta (Note 7)	—	16,191	**16,191**	16,805
	$ 279,269	$ 145,289	**$ 424,558**	$ 448,710
EXPENDITURES				
Claim costs (Note 8)	$ 80,609	$ 213,776	**$ 294,385**	$ 316,268
Deduct: Claim costs charged to the liability for claims	4,104	205,600	**209,704**	217,954
	76,505	8,176	**84,681**	98,314
Provision for future claim costs	186,900	—	**186,900**	212,786
Adjustment to liability for claims:				
Investment income allocated	—	153,019	**153,019**	135,294
Actuarial estimates	—	25,179	**25,179**	129,748
Total claim costs	263,405	186,374	**449,779**	576,142
Administrative and general expenses (Schedule 2)	39,486	—	**39,486**	39,027
Rehabilitation Centre operations, net (Schedule 3)	209	—	**209**	1,029
Occupational Health & Safety (Note 9)	6,071	—	**6,071**	5,879
Write down of deposit on land	—	—	—	3,000
	$ 309,171	$ 186,374	**$ 495,545**	$ 625,077
OPERATING SURPLUS (DEFICIT)	$ (29,902)	$ (41,085)	**$ (70,987)**	$(176,367)
Closure of reserve for loss on realization of investments			—	15,900
Fund balance at beginning of year			**(289,683)**	(129,216)
FUND BALANCE AT END OF YEAR			**$(360,670)**	$(289,683)

Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
OPERATING ACTIVITIES		
Operating surplus (deficit)	**$(70,987)**	$(176,367)
Items not requiring an outlay of cash:		
Pension awards	**113,384**	120,707
Provision for future claim costs	**186,900**	212,786
Adjustments to the liability for claims:		
Investment revenue allocated	**153,019**	135,294
Actuarial estimates	**25,179**	129,748
Depreciation and amortization of fixed assets	**2,337**	2,431
Write down of deposit on land	**—**	3,000
Amortization, gains & losses on investments, net	**(10,656)**	(17,164)
Write down of investments	**950**	411
Other, net	**1,634**	7,442
	401,760	418,288
Deduct: Items requiring outlays of cash:		
Pension payments	**126,278**	123,381
Claim costs charged to the liability for claims	**209,704**	217,954
Payment of merit rebates for prior years	**—**	76,375
Refund of employer deposits	**100**	—
	336,082	417,710
Cash provided from operations	**65,678**	578
INVESTING ACTIVITIES		
Purchase of investments	**(324,455)**	(709,885)
Sale of investments	**292,730**	658,949
Purchase of fixed assets	**(1,852)**	(1,898)
Proceeds from sale of fixed assets	**16**	21
Cash (applied to) investing activities	**(33,561)**	(52,813)
INCREASE (DECREASE) IN CASH	**32,117**	(52,235)
Cash at beginning of year	**28,897**	81,132
CASH AT END OF YEAR	**$ 61,014**	$ 28,897

Notes to the Financial Statements

DECEMBER 31, 1987

1. AUTHORITY

The Workers' Compensation Board operates under the authority of the Workers' Compensation Act, Statutes of Alberta 1981, Chapter W-16, as amended.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General:

These financial statements have been prepared in accordance with generally accepted accounting principles except for the following:

(i) A gain or loss on sale of a fixed term investment is deferred and amortized to investment income over the lesser of ten years or the appropriate maturity or call date of the disposed investment.

(ii) A gain or loss on sale of an equity is deferred and amortized to investment income at 15% per annum, applied to the unamortized balance. Unrealized gains and losses on equities are also amortized to investment income at 15% per annum, applied to the unamortized balance.

b) Depreciation and Amortization:

Depreciation is recorded as follows:

Buildings	– Central office	2½% diminishing balance
	– Regional offices and Rehabilitation Centre	2½% straight line
Equipment	– Data processing	35% diminishing balance
	– Other	15% diminishing balance
Automobiles		25% straight line (first year) 20% straight line (thereafter)

Leasehold improvements and software costs are amortized on a straight line basis over the expected useful life.

c) Investments:

Included in investments are term deposits which are recorded at amortized cost and consist of certificates of deposit, guaranteed investment certificates, treasury bills and promissory notes. Other investments are also recorded at amortized cost with the exception of real estate and equities which are at cost.

Investment income is recorded as an operating revenue for prior years on the basis that the income is to provide for the cost of prior years' claims. Investment income is allocated to the liability for claims based on average balances and expected yield.

d) Translation of Foreign Currency:

Assets and liabilities held in foreign currency are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date except investments which are translated at historical exchange rates.

e) Actuarial Liabilities:

Actuarial liabilities are the estimated present value amounts required to meet the future cost of claims in respect of current and prior years' accidents. The liability estimates are reviewed annually by an independent consulting actuary.

3. ASSESSMENTS AND OTHER RECEIVABLES

Assessments and other receivables are as follows:

	1987	1986
	(in thousands of dollars)	
Assessments receivable	$ 24,780	$ 24,709
Less: Allowance for doubtful assessments receivable	1,800	2,600
	22,980	22,109
Accounts receivable	2,543	2,862
Advances to pensioners	1,848	2,429
	$ 27,371	$ 27,400

4. DEFERRED CHARGES/REVENUE

Deferred charges and revenue are as follows:

	1987	1986
	(in thousands of dollars)	
Deferred charges		
Amortized gain or loss on equities, net	$ —	$ 2,039
	$ —	$ 2,039
Deferred revenue		
Unamortized net gain on sale of equities	$ 906	$ —
Unamortized net gain on sale of fixed term investments	6,242	1,898
	$ 7,148	$ 1,898

5. FIXED ASSETS

Fixed assets are as follows:

	1987			1986
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
		(in thousands of dollars)		
Land	$ 604	$ —	$ 604	$ 604
Buildings	9,402	3,862	5,540	5,738
Equipment	10,938	6,571	4,367	5,037
Leasehold improvements	214	43	171	202
Software costs	1,736	439	1,297	900
	$ 22,894	$ 10,915	$ 11,979	$ 12,481

6. LIABILITY FOR CLAIMS

Liability for claims is as follows:

	1987				
	Pensions	Unfinalled Claims	Enhanced Disabilities	Total	1986 Total
	(in thousands of dollars)				
INCREASES IN LIABILITY					
Current year claims					
Capitalized pension awards	$ 13,296	$ —	$ —	$ 13,296	$ 19,673
Provision for future claim costs	—	111,500	75,400	186,900	212,786
Prior years' claims					
Capitalized pension awards	100,088	—	—	100,088	101,034
Investment income allocated	71,679	50,343	30,997	153,019	135,294
Actuarial adjustments	(30,285)	27,106	28,358	25,179	129,748
	154,778	188,949	134,755	478,482	598,535
DECREASES IN LIABILITY					
Pension payments	126,278	—	—	126,278	123,381
Claim costs	—	126,349	83,355	209,704	217,954
	126,278	126,349	83,355	335,982	341,335
NET INCREASE	28,500	62,600	51,400	142,500	257,200
Liability at beginning of year	682,100	541,400	336,600	1,560,100	1,302,900
LIABILITY AT END OF YEAR	$ 710,600	$ 604,000	$ 388,000	$ 1,702,600	$ 1,560,100

7. PROVINCE OF ALBERTA

Reimbursement is received from the General Revenue Fund of the Province of Alberta to cover payment of legislative increases for pre-1974 pensions.

8. CLAIM COSTS

Claim costs are as follows:

	Self-Insurers	Industry		1987 Total	1986 Total
		1987	Prior Years		
	(in thousands of dollars)				
Pension awards	$ 5,555	$ 13,296	$ 94,533	$ 113,384	$ 120,707
Less: Pension award recoveries	—	—	1,555	1,555	1,059
	5,555	13,296	92,978	111,829	119,648
Compensation	2,006	46,783	68,665	117,454	135,198
Vocational rehabilitation	217	415	14,776	15,408	12,592
Medical aid	1,645	19,490	28,559	49,694	48,830
	$ 9,423	$ 79,984	$ 204,978	$ 294,385	$ 316,268

Medical aid includes reimbursements to the Alberta Health Care Insurance Fund for payment of basic health services provided to injured workers in the amount of $12,631,000 (1986 - $11,546,000).

9. OCCUPATIONAL HEALTH AND SAFETY

The Workers' Compensation Board paid to the Provincial Treasurer in 1987 an amount of $6,071,000 (1986 – $5,879,000) to partially defray the costs of administering the Occupational Health and Safety Act.

10. COMPARATIVE FIGURES

The 1986 figures are reclassified where necessary to conform to 1987 presentation.

11. APPROVAL OF FINANCIAL STATEMENTS

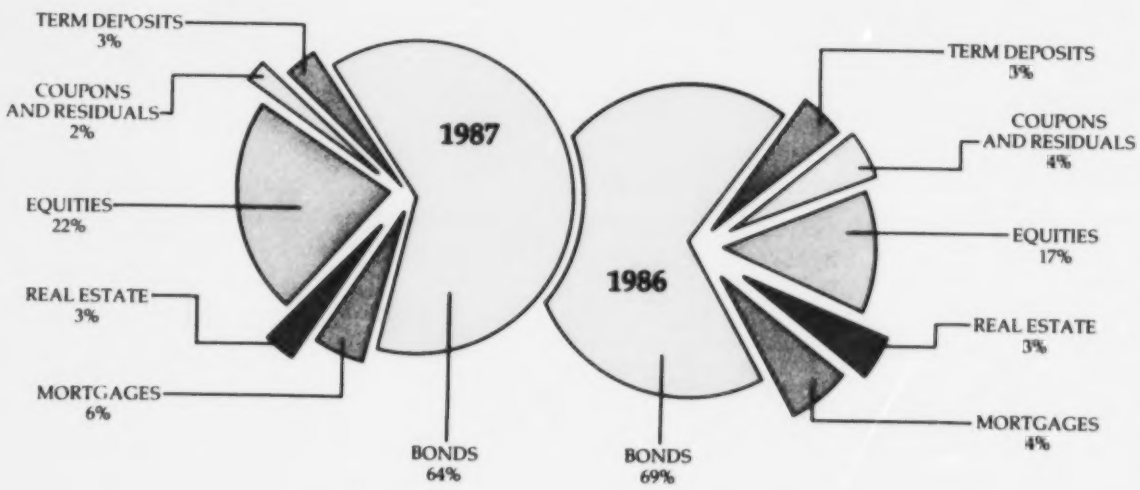
These financial statements were approved by the Board.

Schedule of Investments

Schedule 1

AS AT DECEMBER 31, 1987
(in thousands of dollars)

	1987		1986	
	BOOK VALUE	**MARKET VALUE**	BOOK VALUE	MARKET VALUE
Bonds				
Government of Canada and Provincial guaranteed	**$ 694,935**	**$ 704,549**	$ 713,047	$ 772,926
Corporate	**90,057**	**91,625**	100,351	105,039
	784,992	**796,174**	813,398	877,965
Coupons and residuals	**26,409**	**25,676**	42,570	43,069
Mortgages				
N.H.A. guaranteed	**34,440**	**35,247**	25,661	26,656
Commercial	**42,663**	**44,750**	20,771	23,919
	77,103	**79,997**	46,432	50,575
Real estate	**37,053**	**42,349**	38,280	38,280
Equities				
Preferred shares	**8,374**	**7,900**	4,980	6,049
Common shares	**261,781**	**301,190**	199,152	264,769
Warrants	**202**	**286**	2,082	3,319
	270,357	**309,376**	206,214	274,137
Term deposits	**33,929**	**33,034**	34,229	35,329
	$ 1,229,843	**$ 1,286,606**	$ 1,181,123	$ 1,319,355



Schedule of Administrative and General Expenses

Schedule 2

FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
ADMINISTRATIVE		
Salaries and benefits	$ 29,225	$ 28,795
Depreciation and amortization	2,126	2,236
Data processing and office equipment rentals and maintenance	1,792	1,672
Maintenance, rental and operation of buildings	1,129	967
Professional fees	768	748
Telephone	618	787
Postage and freight	582	564
Printing and office supplies	570	756
Travel	521	572
Memberships, publications, courses and seminars	312	409
Taxes	311	327
Insurance and security services	111	104
Bank service fees	109	85
Media productions and advertising	81	131
Staff recruitment and relocation	59	70
Miscellaneous	84	50
	38,398	38,273
Deduct:		
Rental revenue	30	6
Miscellaneous revenue	569	319
	599	325
	37,799	37,948
GENERAL		
Early retirement incentive program	698	—
Administrative claim costs	580	315
Alberta Health Care administration cost	214	180
Provision for doubtful assessments	120	509
Research grants	75	75
	1,687	1,079
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	$ 39,486	$ 39,027

Schedule of Rehabilitation Centre Operations

Schedule 3

FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	1987	1986
Salaries and benefits	$ 4,815	$ 4,629
Maintenance and operation of building and equipment	421	494
Medical and therapy supplies	352	387
Depreciation	211	195
Cafeteria	113	198
Medical consulting fees	106	95
Telephone	70	88
Transportation of patients	59	52
Memberships, publications, courses and seminars	38	46
Laundry service and uniforms	33	31
Printing and office supplies	28	27
Travel	21	20
Staff recruitment and relocation	10	18
Miscellaneous	50	44
	6,327	6,324
Deduct:		
Charged to medical aid claim costs	6,118	5,295
Loss from operations	$ 209	$ 1,029